

19 MAY 1949

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GENERAL

1. Western delegations reach substantial agreement in Paris--  
In summarizing progress made to date by the delegations of the US, the UK, and France in preparing for the 23 May meeting of the Council of Foreign Ministers, US Ambassador Jessup in Paris emphasizes that substantial agreement appears to exist on most points. Jessup cites as agreed upon: the conditions for political and economic unification of Germany, and the attitude to be taken toward anticipated Soviet proposals. Among differences that have emerged, Jessup reports: (a) the French are extremely reluctant to admit any Soviet representation on the Ruhr authority, though the British seem prepared to accept such representation if it appears to be the last point blocking agreement on German unity; (b) the UK and France are less willing than the US to permit Soviet participation in the Military Security Board and suggest instead a quadripartite body to supervise separate security agencies in the Western and Eastern Zones; and (c) the US has proposed that the western powers try to obtain the municipal unification of Berlin and the introduction of a third currency, while the French are inclined to favor a split city with two currencies, and the British suggest that two currencies could circulate in a unified Berlin.

S-TS

2. US attitude concerning renewal of German trade--The Department of State has advised US Representative Riddleberger in Berlin that because the CFM meeting may not resolve the Berlin currency issue, the pattern for interzonal trade arrangements now being worked out may last some time and will in any case be an important precedent in further negotiations. The Department therefore deems it essential that the arrangements being made assure that: (a) the Soviet Zone gives counter-value for what it receives; (b) the shipment to the Soviet Zone of prohibited and discretionary items be limited and temporary; (c) Soviet buying does not cut into goods needed by the Western Zones or by ECA; and (d) Berlin does not provide a channel for escaping controls in the Western Zones.

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## EUROPE

3. GERMANY: Soviet set-back in Volkskongress elections--  
According to the Office of the Director of US Army Intelligence in Berlin (ODI), the adverse results of the Volkskongress elections in eastern Germany apparently took the Socialist Unity Party and other Communist front organizations by surprise. ODI indicates that US observers in Berlin estimate that falsification of returns did not exceed 10%. Pointing out that the Soviet platform appeared foolproof in its appeal to the Germans and was energetically propagandized prior to the elections, ODI expresses the view that ability of the voters to see through this Soviet maneuver speaks well for the political acumen of the Germans. ODI reports that despite the Soviet defeat, the Soviet Zone press has been citing the results as a mandate for peace, German unity, and troop withdrawal and therefore claims they should be considered as a fair cross-section of all German opinion.

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(CIA Comment: CIA believes that although Soviet-controlled propaganda will undoubtedly continue to hail the results as a "mandate" to the Four Powers, the poor showing of the Soviet-backed parties will actually be a liability to the USSR at the forthcoming CFM meeting.)

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